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EUROPEAN BRIEF CO EUR 81- 124 FOR 25 JUNE 1981.

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6. ITALY: NEW GOVERNMENT FORMED

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6. ITALY: //REPUBLICAN LEADER SPADOLINI'S TASK AS ITALY'S FIRST NON - CHRISTIAN DEMOCRATIC PRIME MINISTER IN 36 YEARS WILL BE TO DEAL WITH THE FALLOUT FROM THE "MASONIC SCANDAL" THAT BROUGHT DOWN HIS PREDECESSOR.//

//HE IS LIKELY TO FAVOR PUNISHING THOSE DIRECTLY INVOLVED IN THE ALLEGED CONSPIRACY, WHILE SEEKING TO MINIMIZE THE IMPACT OF THE AFFAIR ON GOVERNMENTAL INSTITUTIONS. THE PRIME MINISTER'S MOST DIFFICULT CHALLENGE PROBABLY WILL BE TO CALM LABOR UNREST THAT WOULD RESULT IF ITALIAN EMPLOYERS FOLLOW THROUGH ON THEIR THREAT TO CANCEL THE VIRTUALLY UNTOUCHABLE WAGE INDEXING MECHANISM.//

//SPADOLINI'S MAJOR WEAKNESS STEMS FROM THE DESIRE OF THE CHRISTIAN DEMOCRATS AND SOCIALISTS TO REPLACE HIM AS PRIME MINISTER. HIS GOVERNMENT MUST MAKE SOME PROGRESS IN TACKLING ITALY'S PRESSING PROBLEMS TO AVOID BECOMING A "SUMMERTIME COALITION," REMAINING IN PLACE ONLY UNTIL THE POLITICAL SEASON RESUMES IN THE FALL.//

//FINAL AGREEMENT ON THE FIVE-PARTY COALITION BECAME POSSIBLE WHEN THE CHRISTIAN DEMOCRATS AND SOCIALISTS, WHOSE SUPPORT IS ESSENTIAL FOR A PARLIAMENTARY MAJORITY, AGREED TO JOIN. BOTH PARTIES PREFERRED TO AVOID A SHOW-DOWN THAT RISKED SCUTTLING THEIR CENTER-LEFT ALLIANCE, WHICH HAS FORMED THE BASIS OF THE LAST THREE GOVERNMENTS. IT IS VIRTUALLY CERTAIN, HOWEVER, THAT THE TWO PARTNERS ALREADY ARE PREPARING FOR A FUTURE CONFRONTATION AND IN THE MEANTIME ARE UNLIKELY TO GRANT SPADOLINI MORE THAN HALF-HEARTED SUPPORT.//

//THE COMMUNISTS MAY TRY TO COOPERATE WITH SPADOLINI ON A CASE-BY-CASE BASIS TO IMPROVE THEIR "MODERATE" IMAGE AND PREPARE THE WAY FOR A FORMAL ROLE IN THE DECISION-MAKING PROCESS OF A FUTURE COALITION.//

//THE NEW GOVERNMENT WILL EMPHASIZE CONTINUITY.//

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ITALIAN FOREIGN POLICY, GIVING SPECIAL IMPORTANCE TO
ITALY'S ROLE IN NATO AND THE EC. SPADOLINI, MOREOVER,
MAY TRY TO PLAY AN ACTIVE PART IN THE COMING SUMMIT IN
OTTAWA TO ENHANCE HIS IMAGE OVERSEAS AND BUILD SUPPORT
FOR HIS GOVERNMENT AT HOME. //

END OF MESSAGE

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